

No. 16,223

IN THE

United States Court of Appeals
For the Ninth Circuit

SUN-MAID RAISIN GROWERS OF CALIFORNIA, a corporation,	}	<i>Appellant,</i>
VS.		
CALIFORNIA PACKING CORPORATION, a corporation,	}	<i>Appellee.</i>

REPLY BRIEF FOR APPELLANT SUN-MAID.

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INTRODUCTION.

Plaintiff repeatedly stresses, in its brief, that the circumstance of its sale of the trade-mark "Sun-Kist" is irrelevant (pages 3, 8 etc. Brief of Appellee), and that the continuance of the injunction does not depend upon its ownership of the trade-mark. Plaintiff further criticizes defendant's theories as being in the teeth of (a) the findings of fact of the district court, (b) the original decision of this court directing that the injunction issue, and (c) the prior decision of the Court of Customs and Patent Appeals respecting defendant's ownership in the trade-mark "Sun-Maid".

As to (a) above, defendant demonstrated in some detail in its opening brief why the lower court was in error in its findings of fact and conclusions of law. As to (b) and (c) above, it should be observed that those decisions were rendered long before the occurrence of that one allegedly "irrelevant circumstance" involving plaintiff's assignment of its trade-mark "Sun-Kist".

Plaintiff's brief only emphasizes the weakness of its position since the cases which it cites, hereinafter discussed, leave no room for doubt that ownership of the trade-mark "Sun-Kist" is essential to the maintenance of the present injunction.

**THIS COURT HAS POWER TO SET ASIDE
THE INJUNCTION.**

Plaintiff contends that since its predecessor and defendant's predecessor entered into a *contract* in 1917 which restricted defendant's use of "Sun-Maid", the injunction enforcing the contract became a final decree and thus divested this court of supervision regardless of changed conditions.

That this argument is devoid of merit is best illustrated by the case of *Coca-Cola Co. v. Standard Bottling Co.*, (10th Cir., 1934), 138 Fed. 788, previously cited by defendant at page 22 of its opening brief. In that case, a consent decree was entered against the defendant. Sixteen years after the decree was entered, defendant sought to have it modified on the ground that plaintiff, in the light of then recent court de-

cisions, no longer had the right to the exclusive use of the word "cola". The plaintiff argued, as does the plaintiff in the present case, that regardless of the fact that it no longer had the exclusive use of the word "cola", it could still prevent defendant from using it because the consent decree constituted a contract between the parties and could not thereafter be modified.

Although the consent decree in the *Coca-Cola* case imposed more restraints upon the defendant than the decree in the present case, the court did not hesitate to reject plaintiff Coca-Cola Company's contention.

As a result of the one changed circumstance in the *Coca-Cola* case (adjudications that plaintiff had no exclusive right to the word "cola" standing alone, or to any combination, except its own trade-mark of "Coca-Cola"), several other companies in the same area were using the trade-marks "Pepsi-Cola", "Cleo-Cola", etc. without fear of suit by plaintiff. Thus, the court pointed out, if the injunction were continued, plaintiff could stop defendant from using "Cherry Cola", but could do absolutely nothing to restrain others from using the generic word "cola". The court recognized the inequity of this situation and promptly modified the injunction as requested by defendant.

Since a contract and a consent decree have precisely the same legal effect (*Morris v. Patterson*, 105 S.E. 25, 180 N.C. 484; *Karnes v. Black*, 215 S.W. 191, 185 Ky. 410), it is obvious, in the light of the *Coca-Cola* case, that this court is not deprived of its supervisory jurisdiction. There is simply no intelligent reason

for distinguishing between a contract embodied in a judgment (consent decree) and a contract which is enforced by an injunction, as in the case at bar.

**PLAINTIFF'S SALE OF ITS TRADEMARK IS A DRASTIC
CHANGE IN CIRCUMSTANCES, SUFFICIENT TO WARRANT
DISSOLUTION OF THE INJUNCTION.**

Plaintiff attempts to urge upon this court the curious hypothesis that the changing of only *one* circumstance surrounding the issuance of an injunction is not worth the court's consideration in deciding whether or not to dissolve such injunction (Brief of Appellee, pages 8, 12, 15 et seq.).

Obviously, when plaintiff divested itself of all "right, title and interest" in its trade-mark, together with the good will connected with its use (R. 173) there was only one integrated transaction, but it constituted an all-controlling change of circumstances, justifying the dissolution of an injunction, the sole object of which was to protect plaintiff's trade-mark. It takes no torturing of the facts, to appreciate that a continued enforcement of the injunction will only lead to the anomalous situation condemned in the *Coca-Cola* case, *supra*, i.e., plaintiff herein can prevent defendant from using the mark "Sun-Maid" on certain products, but it has no standing whatsoever to stop anyone else from using "Sun-Maid" on those products. Nor, for that matter, could plaintiff prevent anyone from using the mark "Sun-Kist" itself.

Therefore, it appears that a decree of a court of equity is now being used by plaintiff as an instrument of legal blackmail, and not to protect a valid interest of plaintiff.

PLAINTIFF CAN HAVE NO RIGHTS IN THE CONTRACT OF 1917 WHICH WAS A PART OF THE GOODWILL ATTACHED TO THE TRADEMARK "SUN-KIST".

It is surprising that plaintiff persists in urging the naive argument that this court may disregard the subject matter of the 1917 contract (page 19 Appellee's Brief).

Plaintiff quotes from a statement of the district court (165 F.Supp. 255, n. 1) to the effect that had plaintiff's predecessor, *without possessing any mark of its own*, entered into an agreement with defendant's predecessor, the contract would be just as effective. With all due respect for the district court, it must be stated that such a proposition is manifestly unsound. Had plaintiff not owned "Sun-Kist" in 1917, the agreement would not only have been a clear-cut invalid restraint on trade, but it would also have violated the rule that personal property (a trademark is personal property) cannot be "clogged with a servitude" unless there is some reasonable justification for it. *Hartford Charge-Pl. Assoc. v. Youth Centre-C. Stores*, (2 Cir. 1954) 215 F.2d 668, 670; *RCA Mfg. Co. v. Whiteman*, (2 Cir. 1940) 114 F.2d 86, 89; *Granz v. Harris*, (2 Cir. 1952) 198 F.2d 585, 587.

To adopt the reasoning of the district court would be to impeach the sanity of the directors and officers of defendant's predecessor. It is inconceivable that businessmen would gather together in a conference room and arbitrarily agree with a competitor to limit the use of a valuable trade-mark unless that competitor had some valid means of coercion at the time. It also seems most unlikely that plaintiff's predecessor would have been willing to pay any consideration to defendant's predecessor for its promise to restrict its mark unless plaintiff's predecessor had some interest to protect thereby.

The record reveals that, in truth, the original litigation, the contract, and the injunction all stemmed from plaintiff's fear that the mark "Sun-Maid" was likely to be confused with "Sun-Kist". The contract of 1917 is unequivocal and recites in plain English that the use of "Sun-Maid" was believed to be detrimental to plaintiff's predecessor's use (R. 16).

Thus, the contract itself makes it obvious that it was entered into by businessmen in their right minds, and that their purpose was to preclude what they considered a possibility of trade-mark confusion *in the light of the law as it existed at that time*.

**PLAINTIFF HAS NO RIGHTS TO PROTECT
BY THE INJUNCTION.**

Plaintiff further contends that the injunction should be continued in order to protect its so-called rights in the 1917 contract.

As indicated above, the record makes it plain that this contract was entered into and designed for the sole purpose of protecting plaintiff's trade-mark from confusion with defendant's. This court may then inquire as to what contract rights plaintiff has left to protect. It is no longer in danger of having the mark "Sun-Kist" infringed by anybody, therefore what right can it have in a contract and injunction designed to protect that mark? The court may also ask itself what benefits defendant is now receiving under the contract (page 24 Brief of Appellee). How can benefits still flow from plaintiff's promise that it will not sue defendant as long as defendant confines its mark to certain products? The answer is that plaintiff's promise is completely valueless to everyone in the world, including defendant, because plaintiff has no right or duty to protect "Sun-Kist".

Hughes Tool Co. v. A. F. Spengler Co., (N.D. Okl., 1947) 73 F.Supp. 156, relied on by plaintiff, does not in any way support its theory that the 1917 contract must be enforced without regard to its purpose. In the *Hughes* case, the parties agreed by contract to compromise a patent infringement dispute. An injunction subsequently issued to enforce the contract. Upon expiration of the patents, defendant sought to dissolve the injunction. The court continued the injunction, pointing out at page 157 that the patents covering the manufactured articles were not the prime elements of the contract since defendant had sold "*the good will of a business and agreed for a period of time to refrain from engaging again in that business in a*

certain territory.” This case is then exactly the type of case cited by defendant in its opening brief at page 17 and which plaintiff criticizes as not being in point (page 25 et seq. Brief of Appellee). Suppose in the *Hughes* case that the plaintiff had sold his business, *which he did not in fact do*. Upon the authority of any one of defendant’s cases cited at pages 15-17 of its brief, the court in the *Hughes* case would have been obliged to dissolve the injunction since the plaintiff would have had no interest which he was entitled to have protected, *Burchell v. Capitol City Dairy, Inc.*, 163 S.E. 81, 82, 158 Va. 6.

Moreover, *Bowdil Company v. Central Mine Equipment Company*, (8 Cir. 1954) 216 F.2d 156, and the other cases cited by plaintiff on page 28 of its brief, emphasize that the 1917 contract here in controversy is of a type that is extremely common among people in the business world and that such contracts have a legitimate business purpose. Not one of plaintiff’s cases is authority for its contention that the 1917 contract could have effectively been made in a vacuum without consideration being given to its ownership of “Sun-Kist”. For example, in plaintiff’s case of *John Rissman & Son v. Gordon & Ferguson*, (D.Minn. 1948) 78 F.Supp. 195, 198, the court recognizes that these agreements eliminate unfair competition and public confusion and incidentally protect the public from deception, and “promote fair dealing between the parties involved.” Also, in plaintiff’s case of *Waukesha H. M. Springs Co. v. Hygeia S.D. Water Co.*, (7 Cir. 1894) 63 Fed. 438, 441, it was said:

“The contract does not create the trade-mark, but it is clear evidence of its purpose and elements. *Its provisions tend directly to the end for which the law of trade-marks has been evolved, viz. for the protection of the public as well as the owner from imposition.*—‘that one man is not allowed to offer his goods for sale, representing them to be the manufacture of another trader in the same commodity.’ (citing cases) This is the view in which complainant’s bill sets up the contract; and *the action is not in the nature of specific performance*, as the defendant’s contention would have it treated, *but is clearly for the enforcement of alleged trade-mark rights.*”

The italicized portion of the *Waukesha* opinion leaves no doubt that the only reason these trade-mark agreements will be enforced is to protect trade-mark rights. In not one of plaintiff’s cases does one find a plaintiff who has assigned his trade-mark, attempting to enforce the contract. See *E. F. Pritchard Co. v. Consumers Brewing Co.*, (6 Cir. 1943) 136 F.2d 512 (cited by plaintiff) where the court reviews the trade-mark law applicable to these agreements at page 518 [8, 9].

JOINDER OF SUNKIST GROWERS IS NOT ONLY NECESSARY AND DESIRABLE, BUT IT IS ESSENTIAL TO THE MAINTENANCE OF THE ACTION.

Defendant acknowledges that the facts of this case are unique and that it has proved impossible to find a precedent where the facts are exactly parallel; how-

ever, the principles of equity will be applied to new cases as they are presented, and "relief will not be withheld merely on the ground that no precedent can be found." *National Skee-Ball Co., Inc. v. Seyfried*, 158 A. 736 (New Jersey).

In borrowing from the law of real property defendant can, without "torturing the facts" in the least, present an analogy to the present case which forcefully demonstrates the correctness of its position that plaintiff is not a proper party to this litigation.

Suppose that A and B are neighbors. A owns Whiteacre and B owns Blackacre. A becomes worried that B or his assigns might open a saloon on Blackacre. B is also opposed to saloons. A and B then enter into an agreement whereby A agrees not to open a saloon on his property for a period of 15 years, and B also agrees not to open a saloon for a similar period. They record the agreement and recite therein that it shall be binding upon their heirs and assigns and that it shall run with the land. One year later B changes his views and decides to open a saloon. A promptly obtains an injunction to enforce the agreement. Five years later, A sells Whiteacre to C. B again opens a saloon on his property. C is indifferent and takes no action, but A upon hearing of B's activities, immediately undertakes to enforce the agreement.

With regard to the above situation, the Restatement of the Law of Property, Vol. V, Servitudes, Ch. 46, takes the view that:

“§549. Except as stated in §550, one entitled to the benefit of a promise respecting the use of land which is of such a character as to run with his land *ceases to be entitled to the benefit of the promise when he no longer has in the land an interest* with which the benefit of the promise runs.”

A comment on §549 reads, in part, as follows:

“When the benefit of a promise runs with land, the successor to an interest in the land becomes entitled to the benefit of the promise. He takes the place of his predecessor not merely with respect to the land, but also with respect to the promise. If the succession is complete with respect to the land, it is complete with respect to the promise. All the remedies for its enforcement formerly available to the predecessor become available to the successor and *none are longer available to the predecessor. . . .*”

In commenting on §550 (setting forth the rule where the original covenantor may sue after he has ceased to be an owner), we find the following language:

“A promise which is of such a character as to run with land of the beneficiary of the promise is ordinarily of little or no value to the beneficiary of the promise after he has ceased to have any interest in the land with which the promise runs. *Any damage he might suffer from its breach would be but nominal.* Hence, only in exceptional circumstances will he be deemed to have retained any rights on a promise which runs with land after his interest in the land with which it runs ceases. . . .”

See also *Los Angeles University v. Swarth*, (9 Cir. 1901) 107 Fed. 798, 804, 806; *Boyd v. Park Realty Corporation*, 111 A. 129, 130 [2]; *Anderson v. Larson*, 225 N.W. 902, 904 [3]; *Auerbacher v. Smith*, 92 A.2d 492, 495 [2]; 19 *ALR* 2d 1275, 1276; 14 *Am. Jur.*, Covenants, §310; 14 *Cal. Jur.* 2d, Covenants, §98; 21 *C.J.S.*, Covenants, §82(b).

Regardless of any intimation in the opinion of the district court (R. 97) that plaintiff is obligated to defend the interests of the assignee in the mark, such a statement is completely unfounded and not based upon the record. The contract by which plaintiff assigned the mark "Sun-Kist" to Sunkist Growers states, "Nothing herein contained shall in anywise be construed as a guarantee or warranty on the part of Calpack as to the validity of its trade-mark 'Sun-Kist' or the registrations therefor . . ." (R. 177). All that plaintiff agreed to do with respect to its assignee was to produce evidence and testify if "Sun-Kist" ever became involved in any litigation (R. 175, 176).

Plaintiff's contention that it has a right to maintain this injunction because its dissolution *might* adversely affect the interests of its assignee is untenable under any authority.

CONCLUSION.

Plaintiff has failed to cite a single authority to support its position that the injunction should remain in force regardless of the ownership of the

property which the injunction was designed to protect. In fact, the very cases cited by plaintiff completely uphold defendant's contention that the sole purpose of the contract was to protect trade-mark rights. Therefore, a continuance of the injunction is not justified for the following reasons:

1. The injunction now sought to be dissolved is based on an unenforceable contract and results in an inequitable hardship on defendant.

2. Plaintiff has no standing in this court because it was merely the beneficiary under a restrictive covenant designed to protect a trade-mark in which it has no present interest.

3. Having sold the trade-mark "Sun-Kist" and its associated goodwill for \$1,250,000.00, plaintiff cannot now lay claim to such goodwill, nor can it take advantage of a covenant made only for the benefit of the trade-mark and such goodwill.

Dated, San Francisco, California,

May 20, 1959.

Respectfully submitted,

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